

City of East Jordan

Charlevoix County, Michigan

15 - 7030

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2004

City of East Jordan, Michigan

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For the year ended June 30, 2004

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City of East Jordan, Michigan

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of East Jordan	County Charlevoix
Audit Date 6/30/04	Opinion Date 12/17/04	Date Accountant Report Submitted to State: 1/5/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

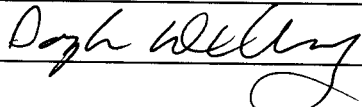
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Douglas Wohlberg, CPA			
Street Address PO Box 1013	City Byron Center	State MI	ZIP 49315
Accountant Signature 		Date 1/5/05	

INDEPENDENT AUDITORS' REPORT

To the City Commission
City of East Jordan
Charlevoix County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Jordan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Jordan management. Our responsibility is to express opinions on these financial statements based on our audit.

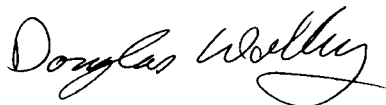
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Jordan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Jordan basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Byron Center, Michigan
December 17, 2004

Management Discussion and Analysis

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2004

This discussion and analysis is intended to be an easily readable analysis of the City of East Jordan's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

This report is significantly different from prior years. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of nonmajor funds and supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire, public works, parks and recreation, community development and general government administration. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. For the first time, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities. Also, for the first time, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." A budgetary comparison is presented for the general fund which is the only fund for which a budget is legally adopted. Statements for the City's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Readers desiring additional information on nonmajor funds can find it in the Combining Statements of Nonmajor Funds section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules. Finally, is the statistical section, which presents trend information and demographics.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years. To be an accurate presentation, the prior year would have to be restated to the new reporting format. The City has chosen to not restate the prior year. Nevertheless when possible, significant changes from the prior year are explained in the following paragraphs.

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2004

City as a Whole

Government-wide Financial Statements

Because this is the first year to report governmental activities on the new standard, comparison to the prior year is not possible. In subsequent years, this section will discuss and analyze significant differences. A condensed version of the Statement of Net Assets at June 30, 2004 follows:

Net Assets at Year-end

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 438,835	\$ 1,165,269	\$ 1,604,104
Capital assets	4,728,128	5,777,063	10,505,191
Total assets	\$ 5,166,963	\$ 6,942,332	\$ 12,109,295
Long-term liabilities	\$ 764,065	\$ 2,135,538	\$ 2,899,603
Other liabilities	224,945	278,012	502,957
Total liabilities	989,010	2,413,550	3,402,560
Net assets			
Invested in capital assets, net of related debt	3,650,772	4,637,132	8,287,904
Unrestricted	527,181	(111,350)	415,831
Total net assets	\$ 4,177,953	\$ 4,525,782	\$ 8,703,735

During the year ended June 30, 2004 there were significant events that changed the balance of net assets. An explanation of these events follows:

Governmental Activities. By far the largest change was the inclusion of general government capital assets and infrastructure (roadways, sidewalks, storm sewers, streetlights, etc.) and long-term debt that previously were not reported. These additions affect the governmental activities' net assets. The net value of the assets and liabilities, 4.3 million dollars, was added to net assets. The inclusion of these amounts was the most significant change in net assets.

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2004

Business-type Activities. The City's business-type activities consist of the Sewer, Water, Ambulance, Harbor Marina Solid Waste Transfer Station and Tourist Park funds.

Water and Sewer Fund

Operation of the water and sewer systems is paid through user fees based upon amount of metered water used. A comparison of revenues and expenditures is evaluated every year to determine whether rates are providing the necessary revenue to meet expenses of the system. The last rate increase went into effect for the quarter beginning July 1, 2003.

Tourist Park

Operation of the Tourist Park is paid through user fees based upon camper rent. A comparison of revenues and expenditures is evaluated every year to determine whether rates are providing the necessary revenue to meet expenses of the park. The last rate increase went into effect for the season beginning April 15, 2004.

Harbor Fund

Operation of the harbor fund is paid through user fees based upon seasonal and transient dock rents. The rates are set through Michigan Department of Natural Resources Parks and Recreation Bureau (Michigan State Waterways Commission). The last rate increase went into effect for the season beginning April 15, 2002.

Ambulance Fund

Operation of the ambulance fund is paid through user fees based upon basic and advance life support. A comparison of revenues and expenditures is evaluated every year to determine whether rates are providing the necessary revenue to meet expenses of the ambulance fund. The last rate increase was July 1, 2003.

Transfer Station Fund

Operation of the transfer station fund is paid through user fees based upon the disposal of garbage. A comparison of revenues and expenditures is evaluated every year to determine whether rates are providing the necessary revenue to meet expenses of the transfer station fund. The last rate increase was July 1, 2003.

Major and Local Streets Fund

This fund is operated with Act 51 monies from the State of Michigan, the rate is calculated by the 2000 census and the mileage of major and local streets within the City of East Jordan. The City currently has 6.55 miles of major street system and 12.21 miles of local street system. The rate from the state is based on the State's fiscal year from October 1, to September 30. Rates are then adjusted to reflect a local unit's year-end of June 30 and include the results of the 2000 Census.

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2004

A condensed version of the Statement Activities follows:

Governmental and Proprietary Activities

	Governmental Activities	Business-type Activities	Total Primary Government
<u>Program revenues</u>			
Charges for services	\$ 60,549	\$ 1,374,673	\$ 1,435,222
Operating grants and contributions	254,136	19,408	273,544
Capital grants and contributions			
<u>General revenue</u>			
Taxes	992,033		992,033
State-shared revenue	283,842		283,842
Unrestricted investment income	6,473	8,677	15,150
Licenses and permits	3,645		3,645
Rent	5,087		5,087
Fines and forfeitures	620		620
Miscellaneous	54,314	36,943	91,257
Total Revenue	1,660,699	1,439,701	3,100,400
<u>Expenses</u>			
General government	524,622		524,622
Public safety	590,078		590,078
Public Works	649,234		649,234
Recreation and culture	157,490		157,490
Interest on long-term debt	36,438		36,438
Sewer		293,009	293,009
Water		271,178	271,178
Solid Waste Transfer Station		39,170	39,170
Ambulance		299,452	299,452
Tourist Park		95,433	95,433
Marina		139,136	139,136
Total expenses	1,957,862	1,137,378	3,095,240
Increase in net assets before transfers	(297,163)	302,323	5,160
Transfers	58,954	(53,954)	5,000
Increase in net assets	(238,209)	248,369	10,160
Net assets at beginning of year	4,416,162	4,277,413	8,693,575
Net assets at end of year	\$ 4,177,953	\$ 4,525,782	\$ 8,703,735

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2004

Governmental activities.

Governmental program expenses remained similar to prior year. There were some significant variations in some revenue items. The current budget instability at both the Federal and State levels do not allow the City financial position to improve greatly from one fiscal year to the next. I believe that the City's financial position has improved only slightly over the last fiscal year. The City of East Jordan's financial position improved because of increase property values and new or rehabilitated properties being added to the tax rolls. The City's largest employer has maintained production levels over the past year. The new Main Street Center has opened downtown with five (5) new businesses and twenty (22) new jobs. These factors have lead to the financial condition remaining the same or increasing slightly. The only significant increase to our tax base was the addition of the Main Street Center in our downtown. The general fund balance dropped slightly to cover loss State revenue so that services could be maintained. There should be no major change in the financial position if all funding levels remain at current levels. A major shift would affect our financial position.

Business-type activities. The City's business type activities have improved/maintained for example by replacing water mains, repairing and updating meters, leak repair on water mains, improving our pump to bill ratio, repairing and upgrading the sewer collection system each fiscal year as funding allows. This year's major work included major leak repair on the water system. At the sewer lagoons a deep mixing system for better aeration was installed. Infrastructure upgrades at the Tourist Park extended the useful life of the sewer system. To reduce the cost of hauling a compactor was purchased for the transfer station. In prior years both the EMS Fund and the Marina Fund spent funds to upgrade the physical plant and equipment. This fiscal year both funds curtailed capital spending to reserve funds for future years.

Budgetary Highlights

Over the course of the year the City Commission amended the budget three times. The amendments were for grants received and bonds sold that were not budgeted for and new line items that were put in the budget after it was adopted. The City Commission also requested that the budget be amended to allow the Commission to waive the fee for the Civic Center and Elm Pointe Departments of General Fund. In total, the general fund's expenditures were \$931,672 less than was budgeted.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets as of June 30, 2004, amounted to \$10,505,191 (net of accumulated depreciation). This investment, detailed in the following table, is invested in broad range of capital assets including land, buildings, land improvements, machinery and equipment and infrastructure.

Capital Assets at Year-end

	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 91,450	\$ 65,717	\$ 157,167
Buildings and mains	551,699	5,542,346	6,094,045
Land improvements	114,353	61,513	175,866
Machinery and equipment	1,348,290	107,487	1,455,777
Infrastructure	2,622,336		2,622,336
	\$ 4,728,128	\$ 5,777,063	\$ 10,505,191

The most significant addition to capital assets was the construction of a \$231,617 Solar Bee (pond circulators) at the wastewater treatment lagoon site. This replaces an older system that was no longer cost effective.

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2004

Debt Outstanding

The significant long-term debt was incurred in the DDA for the Main Street Center. The DDA sold bonds to fund the public improvements the tax increment from the Main Street Center will service the new debt. The bonds were purchased by Charlevoix State Bank, the majority owner of the Main Street Center.

Debt Outstanding at Year-end

	Governmental Activities	Business-type Activities	Total Primary Government	Component unit
General obligation bonds	\$ 595,000	\$ 320,000	\$ 915,000	\$ 1,560,000
Revenue bonds		1,914,218	1,914,218	
Installment purchase agreements	277,431	106,330	383,761	27,180
	\$ 872,431	\$ 2,340,548	\$ 3,212,979	\$ 1,587,180

The City's is not rated by Moody's and Standard and Poor's since our borrowing are not at their rating threshold. More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The State of Michigan is projecting significant budget deficits

To deal with swings in the economy and to plan for future capital expansion, the City routinely puts aside resources. The City has also attempted to keep expenditures to a minimum because of the anticipated revenue problems.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Administrator at 201 Main Street, PO Box 499, East Jordan, Michigan 49727.

GOVERNMENT WIDE FINANCIAL STATEMENTS

City of East Jordan

Charlevoix County, Michigan

Statement of Net Assets

For the year ended June 30, 2004

	Governmental activities	Business type activities	Total	Component units
ASSETS				
Cash and cash equivalents	\$ 288,328	\$ 854,168	\$ 1,142,496	\$ 147,533
Receivables (net)	12,590	312,893	325,483	-
Inventories	2,029	8,184	10,213	-
Due from other governmental units	125,776	-	125,776	-
Interfund balances	10,112	(9,976)	136	(136)
Capital assets - net	4,728,128	5,777,063	10,505,191	-
TOTAL ASSETS	\$ 5,166,963	\$ 6,942,332	\$ 12,109,295	\$ 147,397
LIABILITIES				
Accrued and other liabilities	\$ 29,982	\$ 24,569	\$ 54,551	\$ 400
Deferred revenue	1,512	51,432	52,944	-
Due within one year	193,451	202,011	395,462	113,410
Due in more than one year	764,065	2,138,538	2,902,603	1,473,770
TOTAL LIABILITIES	989,010	2,416,550	3,405,560	1,587,580
NET ASSETS				
Debt service	-	-	-	376
Capital projects	-	-	-	98,024
Invested in capital assets net of related debt	3,650,772	(111,350)	3,539,422	-
Unrestricted	527,181	4,637,132	5,164,313	(1,538,583)
TOTAL NET ASSETS	4,177,953	4,525,782	8,703,735	(1,440,183)
TOTAL LIABILITIES AND NET ASSETS	\$ 5,166,963	\$ 6,942,332	\$ 12,109,295	\$ 147,397

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Statement of Activities

For the year ended June 30, 2004

Functions/Programs	Expenses	Charges for services	Operating grants and contributions
<u>PRIMARY GOVERNMENT EXPENSES</u>			
General government	\$ 524,622	\$ 56,910	\$ -
Public safety	590,078	3,280	-
Public works	649,234	-	225,686
Recreation and culture	157,490	359	28,450
Interest on long-term debt	36,438	-	-
Total Governmental activities	1,957,862	60,549	254,136
<u>BUSINESS TYPE EXPENSES</u>			
Sewer	293,009	316,433	-
Water	271,178	482,740	-
Solid Waste Transfer Station	39,170	44,091	-
Ambulance	299,452	317,629	19,408
Tourist Park	95,433	97,518	-
Marina	139,136	116,262	-
Total Business type activities	1,137,378	1,374,673	19,408
Total Primary government	3,095,240	1,435,222	273,544
<u>COMPONENT UNIT EXPENSES</u>			
City of East Jordan Downtown Development Authority	\$ 331,420	\$ -	\$ 119,809

General Revenues

Property taxes
State-shared revenue
Unrestricted investment income
Licenses and permits
Rent
Fines and forfeitures
Miscellaneous
Interfund transfers

Total general revenues - special items and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to basic financial statements.

Governmental activities	Business-type activities	Total	Component units
\$ (467,712)	\$	\$ (467,712)	
(586,798)		(586,798)	
(423,548)		(423,548)	
(128,681)		(128,681)	
(36,438)		(36,438)	
(1,643,177)		(1,643,177)	

	23,424	23,424	
	211,562	211,562	
	4,921	4,921	
	37,585	37,585	
	2,085	2,085	
	(22,874)	(22,874)	
	256,703	256,703	
(1,643,177)	256,703	(1,386,474)	

\$ (211,611)

992,033	-	992,033	217,618
283,842	-	283,842	-
6,473	8,677	15,150	3,482
3,645	-	3,645	-
5,087	-	5,087	-
620	-	620	-
54,314	36,943	91,257	12,097
58,954	(53,954)	5,000	(5,000)
1,404,968	(8,334)	1,396,634	228,197
(238,209)	248,369	10,160	16,586
4,416,162	4,277,413	8,693,575	(1,456,769)
\$ 4,177,953	\$ 4,525,782	\$ 8,703,735	\$ (1,440,183)

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Governmental Funds

Balance Sheet

June 30, 2004

	General Fund	Major Street Fund	Nonmajor Funds	Total
ASSETS				
Cash	\$ 16,935	\$ -	\$ 188,688	\$ 205,623
Taxes receivable	6,830	-	348	7,178
Accounts receivable	5,412	-	-	5,412
Due from other units of government	91,171	24,961	9,644	125,776
Due from other funds	16,280	-	31,640	47,920
Inventory	2,029	-	-	2,029
TOTAL ASSETS	\$ 138,657	\$ 24,961	\$ 230,320	\$ 393,938
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 862	\$ -	\$ -	\$ 862
Due to other funds	24,412	10,303	102	34,817
Payroll deductions payable	-	628	861	1,489
Accrued wages payable	25,321	-	-	25,321
Deferred revenue	1,512	-	-	1,512
TOTAL LIABILITIES	52,107	10,931	963	64,001
FUND BALANCES				
Restricted for				
Debt service	-	-	297	297
Capital outlay	-	-	117,968	117,968
Streets and highways	-	14,030	75,815	89,845
Unrestricted	86,550	-	35,277	121,827
TOTAL FUND BALANCES	86,550	14,030	229,357	329,937
TOTAL LIABILITIES AND FUND BALANCES	\$ 138,657	\$ 24,961	\$ 230,320	\$ 393,938

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended June 30, 2004

Total fund balances - total governmental funds	\$	329,937
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	6,640,042
Accumulated depreciation	(2,331,383)
Net capital assets	4,308,659

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at June 30, 2004 were:

Bonds payable	(657,887)
Employee benefits payable	(85,085)

Internal service funds are used by management to charge the costs of activities, such as equipment rent, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

	282,329
Net assets of governmental activities	\$ 4,177,953

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2004

	General Fund	Major Street Fund	Nonmajor Funds	Total
REVENUE				
Taxes	\$ 968,481	\$ -	\$ 23,666	\$ 992,147
Licenses and permits	3,645	-	-	3,645
State grants	283,842	168,658	56,137	508,637
Charges for services	60,549	-	-	60,549
Fines and forfeitures	620	-	-	620
Interest and rents	10,381	18	1,806	12,205
Other	27,950	100	28,742	56,792
TOTAL REVENUE	1,355,468	168,776	110,351	1,634,595
EXPENDITURES				
General Government	482,842	-	-	482,842
Public safety	580,368	-	11,129	591,497
Department of public works	246,917	163,528	49,756	460,201
Community and economic development	6,577	-	-	6,577
Recreation and culture	155,688	-	-	155,688
Debt service	-	-	70,066	70,066
Capital outlay	-	-	3,166	3,166
TOTAL EXPENDITURES	1,472,392	163,528	134,117	1,770,037
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(116,924)	5,248	(23,766)	(135,442)
OTHER FINANCING SOURCES (USES)				
Transfers in	22,209	-	82,565	104,774
Bond or note issuance	1,397	-	18,900	20,297
Transfers out	-	(54,611)	-	(54,611)
Prior period adjustment	-	-	(7,630)	(7,630)
TOTAL OTHER FINANCING SOURCES (USES)	23,606	(54,611)	93,835	62,830
NET CHANGE IN FUND BALANCES	(93,318)	(49,363)	70,069	(72,612)
FUND BALANCES, BEGINNING OF YEAR	179,868	63,393	159,288	402,549
FUND BALANCES, END OF YEAR	\$ 86,550	\$ 14,030	\$ 229,357	\$ 329,937

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2004

Net change in fund balances - total governmental funds	\$	(72,612)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.	37,214
Issuance of debt	(5,455)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	93,957

Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Depreciation	(269,956)
Change in net assets of government activities	\$ (238,209)

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Proprietary Funds

Statement of Net Assets

For the year ended June 30, 2004

	Sewer Fund	Water Fund	Ambulance Fund	Marina Fund
ASSETS				
Current assets				
Cash	\$ 445,943	\$ 49,402	\$ 39,142	\$ 252,085
Accounts receivable	82,394	120,962	109,537	-
Due from other funds	9,320	-	-	-
Inventory	-	-	-	8,184
Total current assets	537,657	170,364	148,679	260,269
Noncurrent assets				
Land	21,626	36,322	-	-
Buildings	-	-	-	-
Improvements other than buildings	3,686,008	2,903,811	-	1,394,067
Machinery and equipment	9,677	-	290,932	19,271
Less accumulated depreciation	(1,390,810)	(592,315)	(178,756)	(492,489)
Total Noncurrent assets	2,326,501	2,347,818	112,176	920,849
TOTAL ASSETS	\$ 2,864,158	\$ 2,518,182	\$ 260,855	\$ 1,181,118
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities				
Due to other funds	\$ 1,405	\$ 1,019	\$ 28	-
Payroll deductions payable	-	-	6,961	-
Customers deposits payable	-	908	-	-
Accrued wages payable	3,007	2,218	-	5,631
Deferred revenue	-	-	-	24,909
Total current liabilities	4,412	4,145	6,989	30,540
Noncurrent liabilities				
Bonds payable	460,000	1,774,218	-	-
Installment purchase agreement	-	-	106,331	-
Total noncurrent liabilities	460,000	1,774,218	106,331	-
TOTAL LIABILITIES	464,412	1,778,363	113,320	30,540
NET ASSETS				
Invested in capital assets - net of related debt	1,866,501	573,600	5,845	920,849
Unrestricted	533,245	166,219	141,690	229,729
TOTAL NET ASSETS	2,399,746	739,819	147,535	1,150,578
TOTAL LIABILITIES AND NET ASSETS	\$ 2,864,158	\$ 2,518,182	\$ 260,855	\$ 1,181,118

See accompanying notes to basic financial statements.

Solid Waste		
Transfer Fund	Tourist Park	Total
\$ 5,305	\$ 62,291	\$ 854,168
-	-	312,893
-	-	9,320
-	-	8,184
5,305	62,291	1,184,565

-	7,769	65,717
-	150,460	150,460
54,538	103,759	8,142,183
-	19,745	339,625
(7,634)	(258,918)	(2,920,922)
46,904	22,815	5,777,063
\$ 52,209	\$ 85,106	\$ 6,961,628

\$ 16,455	\$ 389	\$ 19,296
-	5,140	12,101
-	300	1,208
404	-	11,260
-	26,523	51,432
16,859	32,352	95,297

-	-	2,234,218
-	-	106,331
-	-	2,340,549
16,859	32,352	2,435,846

46,904	22,815	3,436,514
(11,554)	29,939	1,089,268
35,350	52,754	4,525,782
\$ 52,209	\$ 85,106	\$ 6,961,628

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Proprietary Funds

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2004

	Sewer Fund	Water Fund	Ambulance Fund	Marina Fund
OPERATING REVENUE				
Services rendered	\$ 309,385	\$ 467,522	\$ 317,629	\$ 743
Fees	17,636	15,218	-	-
Sales	-	-	-	42,990
Rent	-	-	-	72,529
TOTAL OPERATING REVENUE	327,021	482,740	317,629	116,262
OPERATING EXPENSES				
Personal services	97,527	87,257	177,668	45,895
Contractual services	68,296	42,384	6,644	6,724
Utilities	26,243	21,583	10,433	15,063
Repairs and maintenance	12,555	10,287	16,023	12,378
Supplies and other	8,865	5,736	37,493	28,782
Depreciation	64,998	57,762	45,022	30,295
TOTAL OPERATING EXPENSES	278,484	225,009	293,283	139,137
OPERATING INCOME (LOSS)	48,537	257,731	24,346	(22,875)
NONOPERATING REVENUE (EXPENSES)				
Interest and dividends	5,509	(429)	248	2,791
Reimbursements	-	-	5,803	-
Contributions and donations	-	-	19,408	-
Other	4,165	16,340	3,351	252
Interest expense	(14,524)	(46,168)	(6,170)	-
TOTAL NONOPERATING REVENUES (EXPENSE)	(4,850)	(30,257)	22,640	3,043
Income (loss) before contributions and transfers	43,687	227,474	46,986	(19,832)
Transfers out	(8,000)	(23,454)	(15,000)	(7,500)
Discount on issuance of debt	(4,800)	-	-	-
CHANGE IN NET ASSETS	30,887	204,020	31,986	(27,332)
NET ASSETS, BEGINNING OF YEAR	2,368,859	535,799	115,549	1,177,910
NET ASSETS, END OF YEAR	\$ 2,399,746	\$ 739,819	\$ 147,535	\$ 1,150,578

See accompanying notes to basic financial statements.

Solid Waste		
Transfer Fund	Tourist Park	Total
\$ -	\$ -	\$ 1,095,279
43,438	95,495	171,787
653	1,890	45,533
-	-	72,529
44,091	97,385	1,385,128
11,249	48,659	468,255
23,584	2,370	150,002
907	28,022	102,251
849	2,884	54,976
1,490	6,599	88,965
1,091	6,897	206,065
39,170	95,431	1,070,514
4,921	1,954	314,614
(9)	564	8,674
-	-	5,803
-	-	19,408
793	585	25,486
-	-	(66,862)
784	1,149	(7,491)
5,705	3,103	307,123
-	-	(53,954)
-	-	(4,800)
5,705	3,103	248,369
29,645	49,651	4,277,413
\$ 35,350	\$ 52,754	\$ 4,525,782

See accompanying notes to basic financial statements.

City of East Jordan
Charlevoix County, Michigan
Proprietary Funds
Statement of Cash Flows
For the year ended June 30, 2004

	Sewer Fund	Water Fund	Ambulance Fund	Marina Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 328,741	\$ 452,931	\$ 289,015	\$ 117,796
Payments to suppliers	(151,513)	(107,086)	(113,972)	(77,788)
Payments to employees	(68,003)	(59,570)	(132,397)	(34,973)
Internal activity - payments to other funds	89,195	(93,213)	(15,000)	-
Customer deposits	-	51	-	-
Net cash provided (used) by operating activities	198,420	193,113	27,646	5,035
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Operating subsidies and transfers to other funds	(8,000)	(23,454)	-	(7,500)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Proceeds from capital debt	316,063	-	-	-
Purchase of capital assets	(276,515)	-	(24,419)	-
Principal and interest paid on capital debt	(84,524)	(136,168)	(46,480)	-
Other receipts (payments)	4,165	16,340	28,562	252
Net cash provided (used) by capital and related financing activities	(40,811)	(119,828)	(42,337)	252
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and dividends	4,646	(429)	248	2,791
Net cash provided by investing activities	4,646	(429)	248	2,791
Net increase (decrease) in cash and cash equivalents	154,255	49,402	(14,443)	578
Balances - beginning of year	291,688	-	53,585	251,507
Balances - end of year	\$ 445,943	\$ 49,402	\$ 39,142	\$ 252,085

See accompanying notes to basic financial statements.

Solid Waste		Transfer Fund		Tourist Park	Total
\$	44,091	\$	104,815	\$	1,337,389
	(30,531)		(51,253)		(532,143)
	(9,039)		(34,410)		(338,392)
	-		-		(19,018)
	-		(100)		(49)
	4,521		19,052		447,787
<hr/>					
	-		-		(38,954)
<hr/>					
	-		-		316,063
	-		-		(300,934)
	-		-		(267,172)
	784		-		50,103
<hr/>					
	784		-		(201,940)
<hr/>					
	-		564		7,820
<hr/>					
	-		564		7,820
<hr/>					
	5,305		19,616		214,713
<hr/>					
	-		42,675		639,455
<hr/>					
\$	5,305	\$	62,291	\$	854,168

See accompanying notes to basic financial statements.

City of East Jordan
Charlevoix County, Michigan
Proprietary Funds
Statement of Cash Flows
For the year ended June 30, 2004

	Sewer Fund	Water Fund	Ambulance Fund	Marina Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	\$ 48,537	\$ 257,731	\$ 24,346	\$ (22,875)
Adjustments to reconcile Operating income to net cash				
Provided (used) by operating activities				
Depreciation expense	64,998	57,762	45,022	30,295
Change in net assets and liabilities				
Receivables - net	1,720	(29,810)	(7,613)	-
Inventories	-	-	-	(8,184)
Accounts and other payables	(6,030)	592	1,862	4,265
Due to other funds	-	-	-	-
Customer deposits	-	51	-	-
Payment of amounts due to other funds	89,195	(93,213)	(14,971)	-
Deferred revenue	-	-	-	1,534
Other receipts	-	-	(21,000)	-
Net cash provided by operating activities	\$ 198,420	\$ 193,113	\$ 27,646	\$ 5,035

See accompanying notes to basic financial statements.

Solid Waste			
Transfer Fund	Tourist Park	Total	
\$ 4,921	\$ 1,954	\$ 314,614	
1,091	6,897	206,065	
-	-	(35,703)	
-	-	(8,184)	
(1,491)	2,626	1,824	
-	245	245	
-	(100)	(49)	
-	-	(18,989)	
-	6,845	8,379	
-	585	(20,415)	
\$ 4,521	\$ 19,052	\$ 447,787	

See accompanying notes to basic financial statements.

City of East Jordan
Charlevoix County, Michigan
Fiduciary Funds
Statement of Net Assets
 For the year ended June 30, 2004

<u>Agency Fund Type</u>		
<u>ASSETS</u>		
Cash	\$	175,183
<u>LIABILITIES</u>		
Deposits	\$	175,183

See accompanying notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of City of East Jordan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by City of East Jordan:

A. Reporting Entity

City of East Jordan is governed by an elected seven-member Commission. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units

Discretely Presented Component Unit. The TIFA Fund, 1997A DDA Debt Retirement Fund and the 1998A DDA Debt Retirement Fund account for property tax and bond money that is earmarked for improvements in a downtown area of the City and repayment of DDA issued bonds. The component unit columns in the combined financial statements include the financial data of the City's Downtown Development Authority. This unit is reported in a separate column to emphasize that it is legally separate from the City. The members of the Governing Board of the Downtown Development Authority are appointed by the City Commission. The budgets and expenditures of the Downtown Development Authority must be approved by the City Commission. The City also has the ability to significantly influence operations of the Downtown Development Authority. Complete financial statements of the Downtown Development Authority can be obtained at the City of East Jordan, 201 Main Street, East Jordan, Michigan, 49727.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2004

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within June 30, 2004 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City of East Jordan's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in City of East Jordan as of the preceding December 31st.

The 2003 taxable valuation of City of East Jordan totaled \$61,465,043, on which ad valorem taxes levied consisted of the following:

	<u>Mills levied</u>	<u>Raising</u>
Operating	17.7953 \$	1,093,789
Fire debt	0.4448	27,340

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

City of East Jordan
Charlevoix County, Michigan
Notes to Basic Financial Statements
For the year ended June 30, 2004

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

The Tourist Park Fund accounts for the activities of the City owned camp ground.

The Marina Fund accounts for the activities of the City owned marina.

The Transfer Station Fund accounts for the activities of the City owned solid waste collection facility.

The Ambulance Fund accounts for the activities of the City owned paramedic service.

Additionally, the government reports the following fund type:

Trust and agency funds to account for various deposits.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's business-type functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2004

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied July 1 and are payable through July 31. All property taxes not paid by July 31 are deemed delinquent.

Inventories and Prepaid Items--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Other infrastructure	10 to 30 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)--It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Unused vacation and sick leave are paid to employees upon termination under limits that vary by employee group.

All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

City of East Jordan
Charlevoix County, Michigan
Notes to Basic Financial Statements
For the year ended June 30, 2004

Long-Term Obligations--In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications--Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2004

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The City normally follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before May 1, the City Administrator submits to the Commission, a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the City hall to obtain taxpayer comments.

On or before July 1, the budget is adopted by resolution.

The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the City Commission.

Budgeted amounts are presented as originally adopted, or as amended by the City Commission before June 30. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the general and debt service funds are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the City Commission throughout the operating year.

The City legally adopts budgets for the General Fund, Special Revenue, Debt Service and Capital Project funds.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the City Commission.

The legal level of control is at the activity level of the General Fund, and at the fund expenditure totals for the Special Revenue, Debt Service and Capital Project funds.

The City Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the City Commission.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

City of East Jordan
Charlevoix County, Michigan
Notes to Basic Financial Statements
For the year ended June 30, 2004

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City of East Jordan to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City of East Jordan Commission has designated three banks for the deposit of City funds. The investment policy adopted by the Commission in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The City of East Jordan's deposits and investment policy are in accordance with statutory authority.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental activities	Business-Type activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 288,328	\$ 854,168	\$ 175,183	\$ 1,317,679	\$ 147,533

The bank balance of the City's deposits, which includes the component unit's cash, is \$881,591, of which \$200,926 is covered by federal depository insurance and \$680,665 is uninsured and uncollateralized.

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2004

NOTE 4 - RECEIVABLES

Receivables as of year-end for the City's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Major Streets Fund	Local Streets Fund	Fire Equipment Fund	Sewer Fund	Water Fund	Ambulance Fund	Total
Taxes receivable	\$ 6,830	\$ -	\$ -	\$ 348	\$ -	\$ -	\$ -	\$ 7,178
Accounts	5,412	-	-	-	82,394	120,962	109,537	318,305
Intergovernmental	91,171	24,961	9,644	-	-	-	-	125,776
Net Receivables	\$ 103,413	\$ 24,961	\$ 9,644	\$ 348	\$ 82,394	\$ 120,962	\$ 109,537	\$ 451,259

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Customer deposits	\$ -	\$ 52,944

City of East Jordan
Charlevoix County, Michigan
Notes to Basic Financial Statements
For the year ended June 30, 2004

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
Assets not being depreciated				
Land	\$ 91,450	\$	\$	\$ 91,450
Capital assets being depreciated:				
Buildings	590,385	3,156		593,541
Land improvements	103,389	28,556		131,945
Machinery and equipment	1,447,044	5,502		1,452,546
Infrastructure	4,370,560			4,370,560
Subtotal	6,602,828	37,214		6,640,042
Accumulated depreciation:				
Buildings	203,459	15,366		218,825
Land improvements	11,796	5,796		17,592
Machinery and equipment	272,770	73,972		346,742
Infrastructure	1,573,402	174,822		1,748,224
Subtotal	2,061,427	269,956		2,331,383
Net capital assets	4,541,401	(232,742)		4,308,659

Equipment Internal Service Fund	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
Assets not being depreciated				
Land	\$	\$	\$	\$
Capital assets being depreciated:				
Buildings and improvements	234,500	26,282		260,782
Equipment	1,032,325	62,203		1,094,528
Subtotal	1,266,825	88,485		1,355,310
Accumulated depreciation:				
Buildings and improvements	74,586	9,213		83,799
Equipment	769,239	82,803		852,042
Subtotal	843,825	92,016		935,841
Net capital assets	423,000	(3,531)		419,469

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2004

Business-Type Activities	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
Assets not being depreciated				
Land	\$ 65,717	\$	\$	\$ 65,717
Capital assets being depreciated:				
Land improvements	158,297			158,297
Buildings and mains	8,134,346			8,134,346
Equipment	315,206	24,418		339,624
Subtotal	8,673,566	24,418		8,697,984
Accumulated depreciation:				
Land improvements	94,594	2,190		96,784
Buildings and mains	2,437,037	154,962		2,591,999
Equipment	183,225	48,913		232,138
Subtotal	2,714,856	206,065		2,920,921
Net capital assets	5,958,710	(181,647)		5,777,063

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 6,320
Public safety	58,457
Public works	174,822
Recreation and culture	30,357
Total governmental activities	\$ 269,956

Business-Type activities:

Sewer Fund	\$ 64,998
Water Fund	57,762
Tourist Park Fund	6,897
Marina Fund	30,295
Solid Waste Transfer Station Fund	1,091
Ambulance Fund	45,022
Total Business-Type activities	\$ 206,065

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2004

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivable Fund	Payable Fund	Amount
General Fund	Transfer Station	\$ 16,280
Sewer Fund	Local Streets Fund	9,320
Rehabilitation Fund	General Fund	19,040
Rehabilitation Fund	Equipment Fund	12,600
Equipment Fund	General Fund	5,372
Equipment Fund	Major Streets Fund	983
Equipment Fund	Local Streets Fund	102
Equipment Fund	Tourist Park Fund	389
Equipment Fund	Sewer Fund	1,405
Equipment Fund	Water Fund	1,019
Equipment Fund	Transfer Station Fund	174
Equipment Fund	Ambulance Fund	28
Equipment Fund	TIFA Fund	136
Total		\$ 66,848

Interfund Transfers

Transfers In	Transfers Out					Total
	Major Streets Fund	Ambulance Fund	Marina Fund	Sewer Fund	Water Fund	
1999 Debt Service	\$ 34,337	\$ -	\$ -	\$ -	\$ -	\$ 34,337
2000 Debt Service	20,274	-	-	-	-	20,274
General Fund	-	15,000	-	-	-	15,000
Industrial Complex Capital Projects	-	-	7,500	-	-	7,500
Equipment Fund	-	-	-	8,000	8,000	16,000
2002 Capital Improvement Fund	-	-	-	-	15,454	15,454
Total	\$ 54,611	\$ 15,000	\$ 7,500	\$ 8,000	\$ 23,454	\$ 108,565

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2004

NOTE 7 - LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Contractual agreements and installment purchase agreements are also general obligations of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Interest rate	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Governmental Activities						
General obligation bonds						
\$345,000 Michigan Transportation Bonds	4.9000 to 5.3500 %	\$ 275,000	\$	\$ 20,000	\$ 255,000	\$ 20,000
\$245,000 Michigan Transportation Bonds	3.4000 to 5.0500 %	235,000		10,000	225,000	15,000
\$125,000 Capital Improvement Bonds	4.9000 to 5.3500 %	125,000		10,000	115,000	10,000
Installment purchase agreements						
\$1,396 Police Vests	3.5000 %		1,396		1,396	459
\$4,059 Police Pistols	3.5000 %		4,059		4,059	1,333
\$335,997 Fire Truck Lease	5.0000 %	111,389		53,957	57,432	57,432
\$75,612 Equipment	4.5000 %	20,198		20,198		
\$41,623 Equipment	4.5000 %	11,126		11,126		
\$43,000 DPW Building	4.4000 %	29,000		14,000	15,000	15,000
\$70,117 Street Sweeper	4.4000 %	36,117		17,500	18,617	18,617
\$37,680 Salt Dome	5.5900 %	19,180		9,250	9,930	9,930
\$128,530 Sewer Vacuum	5.5300 %	128,530		23,530	105,000	24,000
\$26,282 Hydraulic Lift	3.5000 %		26,282		26,282	8,634
\$39,715 Dump Truck	3.5000 %		39,715		39,715	13,046
Compensated absences		57,113	27,972		85,085	
Totals		\$ 1,047,653	\$ 99,424	\$ 189,561	\$ 957,516	\$ 193,451

City of East Jordan
Charlevoix County, Michigan
Notes to Basic Financial Statements
For the year ended June 30, 2004

	Interest rate	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Business-Type Activities						
General obligation bonds						
\$730,000 Sewer Bonds	7.0700 %	\$ 210,000	\$	\$ 70,000	\$ 140,000	\$ 70,000
\$320,000 Sewer Capital Improvement Bonds	2.0000 to 3.5500 %		320,000		320,000	
\$834,218 Water Bonds	2.5000 %	729,218		35,000	694,218	35,000
\$1,290,000 Water Bonds	2.5000 %	1,135,000		55,000	1,080,000	55,000
Installment purchase agreements						
\$92,640 Ambulance	4.5000 %	69,000		22,000	47,000	23,000
\$77,641 Ambulance	3.9000 %	77,641		18,310	59,331	19,011
Totals		\$ 2,220,859	\$ 320,000	\$ 200,310	\$ 2,340,549	\$ 202,011

	Interest rate	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Component Unit Activities						
General obligation bonds						
\$915,000 1997 Series A	5.1000 %	\$ 720,000	\$	\$ 45,000	\$ 675,000	\$ 45,000
\$785,000 1998 Series A	4.6250 %	645,000		40,000	605,000	45,000
\$210,000 2003 Series A	4.6500 %	210,000			210,000	
\$75,000 2003 Series B	5.0000 %	75,000		5,000	70,000	10,000
Installment purchase agreements						
\$85,000 Street Lighting Contract	5.1500 %	39,933		12,753	27,180	13,410
Totals	25	\$ 1,689,933	\$	\$ 102,753	\$ 1,587,180	\$ 113,410

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2004

Annual debt service requirements to maturity for the above obligations are as follows:

June 30,	Governmental Activities		Business Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 193,451	\$ 41,141	\$ 202,012	\$ 65,917	\$ 113,410	\$ 77,073
2006	94,577	31,884	206,769	57,637	123,770	71,835
2007	101,403	27,729	163,550	49,250	120,000	65,413
2008	78,000	23,182	143,000	44,187	130,000	59,551
2009	50,000	19,408	143,000	40,523	130,000	53,183
2010	55,000	17,135	148,500	37,955	135,000	46,905
2011	55,000	14,598	153,500	34,600	140,000	40,391
2012	65,000	12,030	154,000	30,460	145,000	33,581
2013	65,000	8,945	164,000	25,628	155,000	26,537
2014	65,000	5,761	114,000	21,206	160,000	19,033
2015	25,000	2,512	114,000	18,356	165,000	11,251
2016	25,000	1,262	124,218	15,241	20,000	3,255
2017			125,000	12,125	25,000	2,325
2018			125,000	9,001	25,000	1,162
2019			130,000	5,875		
2020			130,000	2,625		
Totals	\$ 872,431	\$ 205,587	\$ 2,340,549	\$ 470,586	\$ 1,587,180	\$ 511,495

City of East Jordan
Charlevoix County, Michigan
Notes to Basic Financial Statements
For the year ended June 30, 2004

NOTE 8 - SEGMENT INFORMATION

Summary financial information for the business funds is presented below:

Condensed Statement of Net Assets

	Sewer Fund	Water Fund	Ambulance Fund	Harbor Marina Fund	Solid Waste Transfer Station Fund	Tourist Park Fund
Assets						
Current assets	\$ 528,337	\$ 170,364	\$ 148,679	\$ 260,269	\$ 5,305	\$ 62,291
Due from other funds	9,320	-	-	-	-	-
Capital assets	2,326,501	2,347,818	112,176	920,849	46,904	22,815
Total Assets	2,864,158	2,518,182	260,855	1,181,118	52,209	85,106
Liabilities						
Current liabilities	3,007	3,126	6,961	30,540	404	31,963
Due to other funds	1,405	1,019	28	-	16,455	389
Noncurrent liabilities	460,000	1,774,218	106,331	-	-	-
Total Liabilities	464,412	1,778,363	113,320	30,540	16,859	32,352
Net Assets						
Unrestricted	2,399,746	739,819	147,535	1,150,578	35,350	52,754
Total Net Assets	\$ 2,399,746	\$ 739,819	\$ 147,535	\$ 1,150,578	\$ 35,350	\$ 52,754

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2004

Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Sewer Fund	Water Fund	Ambulance Fund	Harbor Marina Fund	Solid Waste Transfer Fund	Tourist Park Fund
Charges	\$ 327,021	\$ 482,740	\$ 317,629	\$ 116,262	\$ 44,091	\$ 97,385
Depreciation	64,998	57,762	45,022	30,295	1,091	6,897
Other operating expenses	213,486	167,247	248,261	108,842	38,079	88,534
Operating income	48,537	257,731	24,346	(22,875)	4,921	1,954
Nonoperating revenue (expense)						
Investment earnings	5,509	-	248	2,791	-	564
Interest expense	(14,524)	(46,597)	(6,170)	-	(9)	-
Miscellaneous	4,165	16,340	28,562	252	793	585
Transfer out	(8,000)	(23,454)	(15,000)	(7,500)	-	-
Discount on issuance of debt	(4,800)	-	-	-	-	-
Total nonoperating revenue and expenses	(17,650)	(53,711)	7,640	(4,457)	784	1,149
Changes in net assets	30,887	204,020	31,986	(27,332)	5,705	3,103
Beginning net assets	2,368,859	535,799	115,549	1,177,910	29,645	49,651
Ending net assets	\$ 2,399,746	\$ 739,819	\$ 147,535	\$ 1,150,578	\$ 35,350	\$ 52,754

Condensed Statement of Cash Flows

	Sewer Fund	Water Fund	Ambulance Fund	Harbor Marina Fund	Solid Waste Transfer Station	Tourist Park Fund
Net cash provided by (used in)						
Operating activities	\$ 198,420	\$ 193,113	\$ 27,646	\$ 5,035	\$ 4,521	\$ 19,052
Noncapital financing activities	(8,000)	(23,454)	-	(7,500)	-	-
Capital and related financing activities	(40,811)	(119,828)	(42,337)	252	784	-
Investing activities	4,646	(429)	248	2,791	-	564
Net increase (decrease) in cash	154,255	49,402	(14,443)	578	5,305	19,616
Beginning cash and cash equivalents	291,688	-	53,585	251,507	-	42,675
Ending cash and cash equivalents	\$ 445,943	\$ 49,402	\$ 39,142	\$ 252,085	\$ 5,305	\$ 62,291

City of East Jordan
Charlevoix County, Michigan
Notes to Basic Financial Statements
For the year ended June 30, 2004

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan ~

Plan Description--The City of East Jordan participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers some employees of the City of East Jordan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy--The obligation to contribute to and maintain the system for these employees was established by negotiation with the City of East Jordan's competitive bargaining units and requires a contribution from the employees of 2 percent of gross wages from Public Works employees, 3 percent from Department Heads and General employees and 6 percent of gross wages from Police employees.

Annual Pension Costs --For year ended June 30, 2004, the City of East Jordan's annual pension cost of \$56,484 for the plan exceeded the required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used include: (i) an 8 percent investment rate of return; (ii) projected salary increases of 4.50 to 8.66 percent per year; and (iii) 4.50 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2003 follows:

	2001	2002	2003
Annual pension cost	\$ 80,965	\$ 84,175	\$ 94,145
Percentage of APC Contributed	72.12 %	76.50 %	77.10 %
Actuarial value of assets	\$ 2,015,469	\$ 2,062,314	\$ 2,198,620
Actuarial accrued liability	\$ 2,066,208	\$ 2,252,013	\$ 2,540,041
Unfunded AAL	\$ 50,739	\$ 189,699	\$ 341,421
Funded ratio	98 %	92 %	87 %
Covered payroll	\$ 251,250	\$ 267,352	\$ 249,340
UAAL as a percentage of covered payroll	7 %	26 %	45 %

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2004

NOTE 10 - RISK MANAGEMENT

City of East Jordan is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. City of East Jordan has participated in the Michigan Municipal Risk Management Authority for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with City of East Jordan.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the City itself.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

The City has no post-retirement benefit plans at this time other than its pension plan.

MAJOR GOVERNMENTAL FUNDS

City of East Jordan

Charlevoix County, Michigan

General Fund

Balance Sheet

For the year ended June 30, 2004

	2004	2003
ASSETS		
Cash	\$ 16,935	\$ 79,725
Taxes receivable	6,830	-
Accounts receivable	5,412	2,173
Due from other funds	16,280	16,280
Due from other units of government	91,171	102,004
Inventory	2,029	2,824
TOTAL ASSETS	\$ 138,657	\$ 203,006
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 862	\$ (97)
Accrued wages payable	25,321	20,439
Payroll deductions payable	-	(21)
Due to other funds	24,412	1,954
Deferred revenue	1,512	863
TOTAL LIABILITIES	52,107	23,138
FUND BALANCES		
Fund balance	86,550	179,868
TOTAL LIABILITIES AND FUND BALANCES	\$ 138,657	\$ 203,006

City of East Jordan

Charlevoix County, Michigan

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the year ended June 30, 2004

	Original budget	Final budget	Actual	Variance with final budget	2003
REVENUES					
Property Taxes					
Current real property taxes	\$ 900,000	\$ 900,000	\$ 940,747	\$ 40,747	\$ 862,395
Penalties and interest on taxes	7,800	7,800	10,131	2,331	7,061
Property tax administration fee	16,000	16,000	15,600	(400)	16,074
Payment in lieu of taxes	1,800	1,800	1,648	(152)	1,707
Trailer tax	350	350	355	5	373
Total Property Taxes	925,950	925,950	968,481	42,531	887,610
State Grants					
State revenue sharing	290,560	290,560	281,331	(9,229)	311,104
Other state grants	682,115	682,115	2,511	(679,604)	41,490
Total State Grants	972,675	972,675	283,842	(688,833)	352,594
Licenses and Permits					
Business licenses and permits	8,000	8,000	3,645	(4,355)	4,700
Total Licenses and Permits	8,000	8,000	3,645	(4,355)	4,700
Fines and Forfeitures					
Fines and forfeitures	50	50	620	570	335
Total Fines and Forfeitures	50	50	620	570	335
Charges for Services					
Fees	3,800	3,900	5,044	1,144	4,567
Services rendered	50,525	50,525	55,505	4,980	98,252
Total Charges for Services	54,325	54,425	60,549	6,124	102,819
Interest and Rentals					
Interest and dividends	10,000	10,000	5,294	(4,706)	8,875
Rent	6,012	6,012	5,087	(925)	5,387
Total Interest and Rentals	16,012	16,012	10,381	(5,631)	14,262
Other Revenue					
Contributions and donations	152,464	155,575	6,900	(148,675)	101,000
Refunds	1,000	1,000	11,304	10,304	8,323
Special assessments	1,000	1,000	5,694	4,694	5,698
Reimbursements	-	150	480	330	-
Other	5,400	5,400	3,572	(1,828)	2,029
Total Other Revenue	159,864	163,125	27,950	(135,175)	117,050
TOTAL REVENUES	2,136,876	2,140,237	1,355,468	(784,769)	1,479,370

City of East Jordan

Charlevoix County, Michigan

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the year ended June 30, 2004

	Original budget	Final budget	Actual	Variance with final budget	2003
EXPENDITURES					
General Government					
Village Council	\$ 27,440	\$ 25,440	\$ 29,363	\$ (3,923)	\$ 25,359
Administrator	72,848	68,848	67,631	1,217	63,482
Clerk	97,550	97,550	84,527	13,023	79,410
Board of Review	1,440	1,440	642	798	618
Attorney	24,255	24,255	19,665	4,590	21,371
Treasurer	116,806	116,806	99,649	17,157	93,678
Assessor	30,000	30,000	24,957	5,043	22,871
Elections	5,400	5,400	1,339	4,061	2,534
Data processing	17,100	17,066	16,635	431	18,677
Buildings and grounds	85,444	93,724	94,374	(650)	118,431
Cemetery	54,157	54,157	44,060	10,097	44,668
Total General Government	532,440	534,686	482,842	51,844	491,099
Public safety					
Police	388,005	395,807	417,700	(21,893)	401,580
Fire department	161,936	161,936	166,726	(4,790)	167,672
Building inspection	500	500	-	500	-
Total Public safety	550,441	558,243	584,426	(26,183)	569,252
Department of Public Works					
Public works	164,817	231,947	185,201	46,746	238,553
Airport	17,295	17,295	14,436	2,859	11,477
Sidewalks	9,695	9,695	11,731	(2,036)	14,510
Street lighting	35,000	35,000	35,549	(549)	34,390
Total Department of Public Works	226,807	293,937	246,917	47,020	298,930
Community and economic development					
Redevelopment and housing	250	250	-	250	-
Zoning	12,260	12,260	6,577	5,683	9,357
Total Community and economic development	12,510	12,510	6,577	5,933	9,357
Recreation and culture					
Parks and recreation	932,015	963,682	126,430	837,252	178,567
Elm Pointe	25,667	25,667	19,924	5,743	19,994
Civic Center	16,085	15,339	9,334	6,005	11,751
Total Recreation and culture	973,767	1,004,688	155,688	849,000	210,312
TOTAL EXPENDITURES	2,295,965	2,404,064	1,476,450	927,614	1,578,950
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(159,089)	(263,827)	(120,982)	142,845	(99,580)

City of East Jordan

Charlevoix County, Michigan

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the year ended June 30, 2004

	Original budget	Final budget	Actual	Variance with final budget	2003
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 18,000	\$ 25,802	\$ 22,209	\$ (3,593)	\$ 15,000
Bond or note issuance	76,000	76,000	5,455	(70,545)	-
Transfers out	(17,000)	(16,500)	-	16,500	(16,000)
TOTAL OTHER FINANCING SOURCES (USES)	77,000	85,302	27,664	(57,638)	(1,000)
 NET CHANGE IN FUND BALANCES	 (82,089)	 (178,525)	 (93,318)	 85,207	 (100,580)
 Fund balance at beginning of year	 179,868	 179,868	 179,868	 -	 280,448
 Fund balance at end of year	 \$ 97,779	 \$ 1,343	 \$ 86,550	 \$ 85,207	 \$ 179,868

City of East Jordan

Charlevoix County, Michigan

Major Streets Fund

Balance Sheet

June 30, 2004

	2004	2003
<u>ASSETS</u>		
Cash	\$ -	\$ 39,741
Due from other units of government	24,961	25,176
TOTAL ASSETS	\$ 24,961	\$ 64,917
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Due to other funds	\$ 10,303	\$ 965
Payroll deductions payable	628	559
TOTAL LIABILITIES	10,931	1,524
<u>FUND BALANCES</u>		
Restricted for streets and highways	14,030	63,393
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,961	\$ 64,917

City of East Jordan

Charlevoix County, Michigan

Major Streets Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2004 with comparative actual amounts for 2003

	Original budget	Original and final budget	Actual	Variance with final budget	2003
REVENUE					
Michigan transportation fund	\$ 136,000	\$ 136,000	\$ 145,475	\$ 9,475	\$ 138,177
Winter maintenance	-	-	14,469	14,469	16,022
Other state grants	-	-	8,714	8,714	-
Interest and dividends	500	500	18	(482)	377
Other	500	500	100	(400)	2,101
TOTAL REVENUE	137,000	137,000	168,776	31,776	156,677
EXPENDITURES					
Street construction	16,820	46,820	30,671	16,149	795
Street preservation	-	-	44,993	(44,993)	45,447
Traffic services	7,174	7,174	1,473	5,701	1,853
Winter maintenance	38,900	38,900	60,615	(21,715)	62,984
Administrative, engineering and record keeping	110,260	110,260	3,400	106,860	3,400
Miscellaneous	35,720	35,720	22,376	13,344	5,238
TOTAL EXPENDITURES	208,874	238,874	163,528	75,346	119,717
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(71,874)	(101,874)	5,248	(43,570)	36,960
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	(54,611)	(54,611)	(48,130)
NET CHANGE IN FUND BALANCES	(71,874)	(101,874)	(49,363)	(98,181)	(11,170)
Fund balance beginning of year	63,393	63,393	63,393	-	74,563
Fund balance end of year	\$ (8,481)	\$ (38,481)	\$ 14,030	\$ (98,181)	\$ 63,393

MAJOR BUSINESS-TYPE FUNDS

City of East Jordan

Charlevoix County, Michigan

Sewer Fund

Balance Sheet

June 30, 2004

	2004	2003
ASSETS		
Current assets		
Cash	\$ -	\$ 291,688
Accounts receivable	-	-
Due from other funds	-	-
Total Current assets	-	291,688
Noncurrent assets		
Capital assets		
Land	-	-
Improvements other than buildings	-	-
Machinery and equipment	-	-
Less accumulated depreciation	-	-
Total Capital assets	-	-
TOTAL ASSETS	\$ 10,711	\$ 5,482
LIABILITIES		
Current liabilities		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
Accrued wages payable	-	-
Total Current liabilities	-	-
Noncurrent liabilities		
Bonds payable	-	-
TOTAL LIABILITIES	30,887	33,005
NET ASSETS		
Invested in capital assets, net of related debt	1,866,501	1,904,984
Unrestricted	533,245	463,875
TOTAL NET ASSETS	2,399,746	2,368,859
TOTAL LIABILITIES AND NET ASSETS	\$ 4,768,605	\$ 4,704,713

City of East Jordan

Charlevoix County, Michigan

Sewer Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2004 with comparative actual amounts for 2003

	2004	2003
<u>OPERATING REVENUE</u>		
Services rendered	\$ 309,385	\$ 313,567
Fees	17,636	20,082
TOTAL OPERATING REVENUE	327,021	333,649
<u>OPERATING EXPENSES</u>		
Salaries and wages	67,249	61,691
Payroll taxes	5,202	4,669
Hospitalization insurance	19,176	14,153
Retirement contribution	4,971	3,304
Workers compensation insurance	929	627
Supplies	2,060	2,451
Contractual services	26,069	29,863
Insurance	1,570	3,775
Utilities	26,243	32,648
Repairs and maintenance	12,555	15,466
Rent	40,657	35,997
Depreciation	64,998	67,765
Capital outlay	5,039	10,058
Fees	925	813
Other	841	747
TOTAL OPERATING EXPENSES	278,484	284,027
OPERATING INCOME	48,537	49,622
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	5,509	6,403
Other	4,165	293
Interest expense	(14,524)	(15,313)
TOTAL NONOPERATING REVENUES (EXPENSES)	(4,850)	(8,617)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	43,687	41,005
Transfers out	(8,000)	(8,000)
Discount on issuance of debt	(4,800)	-
CHANGE IN NET ASSETS	30,887	33,005
NET ASSETS - BEGINNING OF YEAR	2,368,859	2,335,854
NET ASSETS - END OF YEAR	\$ 2,399,746	\$ 2,368,859

City of East Jordan

Charlevoix County, Michigan

Sewer Fund

Statement of Cash Flows

For the year ended June 30, 2004

	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 328,741	\$ 319,206
Payments to suppliers	(151,513)	(149,326)
Payments to employees	(68,003)	(59,497)
Due from other funds	89,195	(98,264)
Net cash provided (used) by operating activities	198,420	12,119
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating subsidies and transfers to other funds	(8,000)	(8,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from capital debt	316,063	-
Purchase of capital assets	(276,515)	-
Principal and interest paid on capital debt	(84,524)	(80,313)
Other receipts (payments)	4,165	293
Net cash provided (used) by capital and related financing activities	(40,811)	(80,020)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	4,646	6,403
Net cash provided by investing activities	4,646	6,403
Net increase (decrease) in cash and cash equivalents	154,255	(69,498)
Balances - beginning of year	291,688	361,186
Balances - end of year	\$ 445,943	\$ 291,688
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ 48,537	\$ 49,622
Provided (used) by operating activities		
Depreciation	64,998	67,765
Receivables - net	1,720	(14,443)
Accounts and other payables	(6,030)	7,439
Payment of amounts due to other funds	89,195	(98,264)
Net cash provided by operating activities	\$ 198,420	\$ 12,119

City of East Jordan

Charlevoix County, Michigan

Water Fund

Balance Sheet

June 30, 2004

	2004	2003
ASSETS		
Current assets		
Cash	\$ 49,402	\$ -
Accounts receivable	120,962	91,152
Total Current assets	170,364	91,152
Noncurrent assets		
Capital assets		
Land	36,322	36,322
Improvements other than buildings	2,903,811	2,903,811
Less accumulated depreciation	(592,315)	(534,553)
Total Capital assets	2,347,818	2,405,580
TOTAL ASSETS	\$ 2,518,182	\$ 2,496,732
LIABILITIES		
Current liabilities		
Due to other funds	\$ 1,019	\$ 94,232
Customers deposits payable	908	857
Accrued wages payable	2,218	1,626
Total Current liabilities	4,145	96,715
Noncurrent liabilities		
Bonds payable	1,774,218	1,864,218
TOTAL LIABILITIES	1,778,363	1,960,933
NET ASSETS		
Invested in capital assets, net of related debt	573,600	541,362
Unrestricted	166,219	(5,563)
TOTAL NET ASSETS	739,819	535,799
TOTAL LIABILITIES AND NET ASSETS	\$ 2,518,182	\$ 2,496,732

City of East Jordan

Charlevoix County, Michigan

Water Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2004 with comparative actual amounts for 2003

	2004	2003
<u>OPERATING REVENUE</u>		
Fees	\$ 15,218	\$ 17,147
Services rendered	467,522	354,823
TOTAL OPERATING REVENUE	482,740	371,970
<u>OPERATING EXPENSES</u>		
Salaries and wages	60,161	69,428
Payroll taxes	4,557	5,523
Hospitalization insurance	16,761	16,961
Retirement contribution	4,391	3,893
Workers compensation insurance	1,387	1,106
Supplies	3,259	9,053
Contractual services	4,925	15,452
Insurance	3,242	7,195
Utilities	21,583	25,987
Repairs and maintenance	10,287	14,700
Rent	34,217	44,186
Depreciation	57,762	57,576
Capital outlay	-	2,897
Fees	1,466	1,394
Other	1,011	635
TOTAL OPERATING EXPENSES	225,009	275,986
<u>OPERATING INCOME</u>	257,731	95,984
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	(429)	(505)
Other	16,340	4,263
Interest expense	(46,168)	(48,418)
TOTAL NONOPERATING REVENUES (EXPENSES)	(30,257)	(44,660)
<u>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</u>	227,474	51,324
Transfers out	(23,454)	(370)
CHANGE IN NET ASSETS	204,020	50,954
<u>NET ASSETS - BEGINNING OF YEAR</u>	535,799	484,845
<u>NET ASSETS - END OF YEAR</u>	\$ 739,819	\$ 535,799

City of East Jordan

Charlevoix County, Michigan

Water Fund

Statement of Cash Flows

For the year ended June 30, 2004

	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 452,931	\$ 371,970
Payments to suppliers	(107,086)	(186,999)
Payments to employees	(59,570)	(69,890)
Customer deposits	51	276
Due from other funds	(93,213)	19,673
Net cash provided (used) by operating activities	193,113	135,030
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating subsidies and transfers to other funds	(23,454)	(370)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal and interest paid on capital debt	(136,168)	(138,418)
Other receipts (payments)	16,340	4,263
Net cash provided (used) by capital and related financing activities	(119,828)	(134,155)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	(429)	(505)
Net cash provided by investing activities	(429)	(505)
Net increase (decrease) in cash and cash equivalents	49,402	-
Balances - beginning of year	-	-
Balances - end of year	\$ 49,402	\$ -
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ 257,731	\$ 95,984
Provided (used) by operating activities		
Depreciation	57,762	57,576
Receivables - net	(29,810)	(38,017)
Accounts and other payables	592	(462)
Payment of amounts due to other funds	(93,213)	19,673
Customer deposits	51	276
Net cash provided by operating activities	\$ 193,113	\$ 135,030

City of East Jordan

Charlevoix County, Michigan

Ambulance Fund

Balance Sheet

June 30, 2004

	2004	2003
ASSETS		
Current assets		
Cash	\$ 39,142	\$ 53,585
Accounts receivable	109,537	101,924
Total Current assets	148,679	155,509
Noncurrent assets		
Capital assets		
Machinery and equipment	290,932	266,513
Less accumulated depreciation	(178,756)	(133,734)
Total Capital assets	112,176	132,779
TOTAL ASSETS	\$ 260,855	\$ 288,288
LIABILITIES		
Current liabilities		
Due to other funds	\$ 28	\$ -
Payroll deductions payable	6,961	5,098
Deferred revenue	-	21,000
Total Current liabilities	6,989	26,098
Noncurrent liabilities		
Installment purchase agreement	106,331	146,641
TOTAL LIABILITIES	113,320	172,739
NET ASSETS		
Invested in capital assets, net of related debt	5,845	(13,862)
Unrestricted	141,690	129,411
TOTAL NET ASSETS	147,535	115,549
TOTAL LIABILITIES AND NET ASSETS	\$ 260,855	\$ 288,288

City of East Jordan

Charlevoix County, Michigan

Ambulance Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2004 with comparative actual amounts for 2003

	2004	2003
<u>OPERATING REVENUE</u>		
Services rendered	\$ 317,629	\$ 294,551
TOTAL OPERATING REVENUE	317,629	294,551
<u>OPERATING EXPENSES</u>		
Salaries and wages	132,397	137,476
Payroll taxes	10,220	10,772
Hospitalization insurance	25,164	19,884
Retirement contribution	5,813	3,764
Workers compensation insurance	4,074	2,377
Supplies	21,996	19,675
Contractual services	3,355	2,072
Education	4,587	4,977
Insurance	3,106	5,878
Utilities	10,433	10,536
Repairs and maintenance	16,023	8,735
Rent	183	476
Depreciation	45,022	40,808
Capital outlay	9,131	8,650
Fees	835	605
Other	944	947
TOTAL OPERATING EXPENSES	293,283	277,632
OPERATING INCOME	24,346	16,919
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	248	55
Sale of fixed assets	-	15,000
Contributions and donations	19,408	-
Reimbursements	5,803	-
Other	3,351	22
Interest expense	(6,170)	(2,964)
TOTAL NONOPERATING REVENUES (EXPENSES)	22,640	12,113
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	46,986	29,032
Transfers out	(15,000)	(15,000)
CHANGE IN NET ASSETS	31,986	14,032
NET ASSETS - BEGINNING OF YEAR	115,549	101,517
NET ASSETS - END OF YEAR	\$ 147,535	\$ 115,549

City of East Jordan

Charlevoix County, Michigan

Ambulance Fund

Statement of Cash Flows

For the year ended June 30, 2004

	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 289,015	\$ 307,325
Payments to suppliers	(113,972)	(99,917)
Payments to employees	(132,397)	(137,476)
Internal activity - payments to other funds	(15,000)	(15,000)
Net cash provided (used) by operating activities	27,646	54,932
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from capital debt	-	77,641
Purchase of capital assets	(24,419)	(92,639)
Principal and interest paid on capital debt	(46,480)	(26,604)
Other receipts (payments)	28,562	15,022
Net cash provided (used) by capital and related financing activities	(42,337)	(26,580)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	248	55
Net increase (decrease) in cash and cash equivalents	(14,443)	28,407
Balances - beginning of year	53,585	25,178
Balances - end of year	\$ 39,142	\$ 53,585
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ 24,346	\$ 16,919
Adjustments to reconcile Operating income to net cash		
Provided (used) by operating activities		
Depreciation	45,022	40,808
Change in net assets and liabilities		
Receivables - net	(7,613)	(8,226)
Accounts and other payables	1,862	(549)
Deferred revenue	(21,000)	21,000
Payment of amounts due to other funds	(14,971)	(15,020)
Net cash provided by operating activities	\$ 27,646	\$ 54,932

City of East Jordan

Charlevoix County, Michigan

Harbor Marina Fund

Balance Sheet

June 30, 2004

	2004	2003
ASSETS		
Current assets		
Cash	\$ 252,085	\$ 251,507
Inventory	8,184	-
Total Current assets	260,269	251,507
Noncurrent assets		
Capital assets		
Improvements other than buildings	1,394,067	1,394,067
Machinery and equipment	19,271	19,271
Less accumulated depreciation	(492,489)	(462,194)
Total Capital assets	920,849	951,144
TOTAL ASSETS	\$ 1,181,118	\$ 1,202,651
LIABILITIES		
Current liabilities		
Accrued wages payable	\$ 5,631	\$ 1,366
Deferred revenue	24,909	23,375
Total Current liabilities	30,540	24,741
NET ASSETS		
Invested in capital assets, net of related debt	920,849	951,144
Unrestricted	229,729	1,177,910
TOTAL NET ASSETS	1,150,578	1,177,910
TOTAL LIABILITIES AND NET ASSETS	\$ 1,181,118	\$ 1,202,651

City of East Jordan

Charlevoix County, Michigan

Harbor Marina Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2004 with comparative actual amounts for 2003

	2004	2003
<u>OPERATING REVENUE</u>		
Services rendered	\$ 743	\$ 1,091
Sales	42,990	48,871
Rent	72,529	78,756
TOTAL OPERATING REVENUE	116,262	128,718
<u>OPERATING EXPENSES</u>		
Salaries and wages	34,973	27,200
Payroll taxes	2,349	2,190
Hospitalization insurance	5,304	1,702
Retirement contribution	1,454	522
Unemployment compensation	1,178	-
Workers compensation insurance	637	506
Supplies	23,329	50,105
Contractual services	2,744	2,500
Insurance	2,733	4,022
Utilities	15,063	11,546
Repairs and maintenance	12,378	5,069
Rent	1,247	1,663
Depreciation	30,295	34,628
Capital outlay	2,461	2,381
Fees	1,558	1,445
Other	1,434	4,363
TOTAL OPERATING EXPENSES	139,137	149,842
OPERATING INCOME	(22,875)	(21,124)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	2,791	3,407
Other	252	321
TOTAL NONOPERATING REVENUES (EXPENSES)	3,043	3,728
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(19,832)	(17,396)
Transfers out	(7,500)	-
CHANGE IN NET ASSETS	(27,332)	(17,396)
NET ASSETS - BEGINNING OF YEAR	1,177,910	1,195,306
NET ASSETS - END OF YEAR	\$ 1,150,578	\$ 1,177,910

City of East Jordan

Charlevoix County, Michigan

Harbor Marina Fund

Statement of Cash Flows

For the year ended June 30, 2004

	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 117,796	\$ 125,209
Payments to suppliers	(77,788)	(80,680)
Payments to employees	(34,973)	(27,200)
Internal activity - payments to other funds	-	(17)
Net cash provided (used) by operating activities	5,035	17,312
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating subsidies and transfers to other funds	(7,500)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Other receipts (payments)	252	321
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	2,791	3,407
Net increase (decrease) in cash and cash equivalents	578	21,040
Balances - beginning of year	251,507	230,467
Balances - end of year	\$ 252,085	\$ 251,507
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ (22,875)	\$ (21,124)
Adjustments to reconcile Operating income to net cash		
Provided (used) by operating activities		
Depreciation	30,295	34,628
Change in net assets and liabilities		
Inventories	(8,184)	8,563
Accounts and other payables	4,265	(1,229)
Recognition of deferred revenue	1,534	(3,509)
Payment of amounts due to other funds	-	(17)
Net cash provided by operating activities	\$ 5,035	\$ 17,312

City of East Jordan

Charlevoix County, Michigan

Solid Waste Transfer Station Fund

Balance Sheet

June 30, 2004

	2004	2003
ASSETS		
Current assets		
Cash	\$ 5,305	\$ -
Noncurrent assets		
Capital assets		
Improvements other than buildings	54,538	54,538
Less accumulated depreciation	(7,634)	(6,544)
Total Capital assets	46,904	47,994
TOTAL ASSETS	\$ 52,209	\$ 47,994
LIABILITIES		
Current liabilities		
Due to other funds	\$ 16,455	\$ 18,349
Accrued wages payable	404	-
Total Current liabilities	16,859	18,349
NET ASSETS		
Invested in capital assets, net of related debt	46,904	47,994
Unrestricted	(11,554)	(18,349)
TOTAL NET ASSETS	35,350	29,645
TOTAL LIABILITIES AND NET ASSETS	\$ 52,209	\$ 47,994

City of East Jordan

Charlevoix County, Michigan

Solid Waste Transfer Station Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2004 with comparative actual amounts for 2003

	2004	2003
<u>OPERATING REVENUE</u>		
Fees	\$ 43,438	\$ 42,037
Sales	653	673
TOTAL OPERATING REVENUE	44,091	42,710
<u>OPERATING EXPENSES</u>		
Salaries and wages	9,443	13,094
Payroll taxes	682	1,076
Hospitalization insurance	531	282
Retirement contribution	123	68
Workers compensation insurance	470	334
Supplies	290	436
Contractual services	19,723	22,637
Utilities	907	999
Repairs and maintenance	849	558
Rent	3,861	5,773
Depreciation	1,091	1,091
Capital outlay	1,200	-
TOTAL OPERATING EXPENSES	39,170	46,348
OPERATING INCOME	4,921	(3,638)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	(9)	1
Other	793	1,545
TOTAL NONOPERATING REVENUES (EXPENSES)	784	1,546
CHANGE IN NET ASSETS	5,705	(2,092)
NET ASSETS - BEGINNING OF YEAR	29,645	31,737
NET ASSETS - END OF YEAR	\$ 35,350	\$ 29,645

City of East Jordan

Charlevoix County, Michigan

Solid Waste Transfer Station Fund

Statement of Cash Flows

For the year ended June 30, 2004

	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 44,091	\$ 42,710
Payments to suppliers	(30,531)	(30,682)
Payments to employees	(9,039)	(13,574)
Net cash provided (used) by operating activities	4,521	(1,546)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Other receipts (payments)	784	1,545
Interest and dividends	-	1
Net increase (decrease) in cash and cash equivalents	5,305	-
Balances - beginning of year	-	-
Balances - end of year	\$ 5,305	\$ -
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ 4,921	\$ (3,638)
Depreciation	1,091	1,091
Accounts and other payables	(1,491)	(480)
Payment of amounts due to other funds	-	1,481
Net cash provided by operating activities	\$ 4,521	\$ (1,546)

City of East Jordan

Charlevoix County, Michigan

Tourist Park Fund

Balance Sheet

June 30, 2004

	2004	2003
ASSETS		
Current assets		
Cash	\$ 62,291	\$ 42,675
Noncurrent assets		
Capital assets		
Land	7,769	7,769
Improvements other than buildings	103,759	103,759
Machinery and equipment	19,745	19,745
Buildings	150,460	150,460
Less accumulated depreciation	(258,918)	(252,021)
Total Capital assets	22,815	29,712
TOTAL ASSETS	\$ 85,106	\$ 72,387
LIABILITIES		
Current liabilities		
Due to other funds	\$ 389	\$ 144
Payroll deductions payable	5,140	2,514
Deferred revenue	26,523	19,678
Customers deposits payable	300	400
Total Current liabilities	32,352	22,736
NET ASSETS		
Invested in capital assets, net of related debt	22,815	29,712
Unrestricted	29,939	19,939
TOTAL NET ASSETS	52,754	49,651
TOTAL LIABILITIES AND NET ASSETS	\$ 85,106	\$ 72,387

City of East Jordan

Charlevoix County, Michigan

Tourist Park Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2004 with comparative actual amounts for 2003

	2004	2003
<u>OPERATING REVENUE</u>		
Fees	\$ 95,495	\$ 88,967
Sales	1,890	229
TOTAL OPERATING REVENUE	97,385	89,196
<u>OPERATING EXPENSES</u>		
Salaries and wages	37,036	25,735
Payroll taxes	2,632	2,018
Hospitalization insurance	4,252	675
Retirement contribution	1,301	177
Workers compensation insurance	268	178
Unemployment compensation	3,170	7,886
Supplies	3,058	4,007
Contractual services	236	306
Education	97	-
Insurance	697	848
Utilities	28,022	37,059
Repairs and maintenance	2,884	5,218
Rent	1,437	1,779
Depreciation	6,897	8,578
Capital outlay	1,831	1,569
Other	1,613	1,127
TOTAL OPERATING EXPENSES	95,431	97,160
OPERATING INCOME	1,954	(7,964)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	564	198
Other	585	140
TOTAL NONOPERATING REVENUES (EXPENSES)	1,149	338
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	3,103	(7,626)
Transfers in	-	15,000
CHANGE IN NET ASSETS	3,103	7,374
NET ASSETS - BEGINNING OF YEAR	49,651	42,277
NET ASSETS - END OF YEAR	\$ 52,754	\$ 49,651

City of East Jordan

Charlevoix County, Michigan

Tourist Park Fund

Statement of Cash Flows

For the year ended June 30, 2004

	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 104,815	\$ 97,630
Payments to suppliers	(51,253)	(62,703)
Payments to employees	(34,410)	(25,438)
Customer deposits	(100)	100
Net cash provided (used) by operating activities	19,052	9,589
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Other receipts (payments)	-	15,000
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	564	198
Net increase (decrease) in cash and cash equivalents	19,616	24,787
Balances - beginning of year	42,675	17,888
Balances - end of year	\$ 62,291	\$ 42,675
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ 1,954	\$ (7,964)
Depreciation	6,897	8,578
Accounts and other payables	2,626	297
Recognition of deferred revenue	6,845	8,294
Payment of amounts due to other funds	245	144
Other receipts	585	140
Customer deposits	(100)	100
Net cash provided by operating activities	\$ 19,052	\$ 9,589

NON-MAJOR GOVERNMENTAL FUNDS

City Of East Jordan

Charlevoix County, Michigan

Nonmajor Governmental Funds

June 30, 2004

Special Revenue Funds

Local Streets Special Fund

Fire Equipment Fund

Rehabilitation Fund

Debt Service Funds

2002 Capital Improvement Debt Fund

1999 Michigan Transportation Debt Fund

2001 Michigan Transportation Debt Fund

Capital Project Funds

Bandshell Construction Fund

Industrial Complex Construction Fund

City Of East Jordan

Charlevoix County, Michigan

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2004

	Special Revenue Fund			
	Local Streets Fund	Fire Equipment Fund	Rehabilitation Fund	2002 Capital Improvement
ASSETS				
Cash and cash equivalents	\$ 67,134	\$ 61,289	\$ 3,637	\$ 102
Taxes receivable	-	348	-	-
Due from other units of government	9,644	-	-	-
Due from other funds	-	-	31,640	-
TOTAL ASSETS	\$ 76,778	\$ 61,637	\$ 35,277	\$ 102
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 102	\$ -	\$ -	\$ -
Payroll deductions payable	861	-	-	-
TOTAL LIABILITIES	963	-	-	-
FUND BALANCES				
Restricted for				
Debt service	-	-	-	102
Capital outlay	-	61,637	-	-
Streets and highways	75,815	-	-	-
Unrestricted	-	-	35,277	-
TOTAL FUND BALANCES	75,815	61,637	35,277	102
TOTAL LIABILITIES AND FUND BALANCES	\$ 76,778	\$ 61,637	\$ 35,277	\$ 102

Debt Service Funds		Capital Projects Fund			
1999 Michigan Transportation	2001 Michigan Transportation	Bandshell Construction	Industrial Complex Construction	Total	
\$ 104	\$ 91	\$ 56,157	\$ 174	\$	188,688
-	-	-	-		348
-	-	-	-		9,644
-	-	-	-		31,640
\$ 104	\$ 91	\$ 56,157	\$ 174	\$	230,320

\$ -	\$ -	\$ -	\$ -	\$	102
-	-	-	-		861
-	-	-	-		963

104	91	-	-		297
-	-	56,157	174		117,968
-	-	-	-		75,815
-	-	-	-		35,277
104	91	56,157	174		229,357
\$ 104	\$ 91	\$ 56,157	\$ 174	\$	230,320

City Of East Jordan

Charlevoix County, Michigan

Nonmajor Governmental Funds

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2004

	Special Revenue Fund			
	Local Streets Fund	Fire Equipment Fund	Rehabilitation Fund	2002 Capital Improvement
REVENUE				
Property taxes				
Current real property taxes	\$ -	\$ 23,552	\$ -	\$ -
Penalties and interest on taxes	-	114	-	-
Total Property taxes	-	23,666	-	-
State grants				
Michigan transportation fund	56,137	-	-	-
Interest and rentals				
Interest	640	655	191	-
Other revenue				
Other	251	-	-	-
Payments in lieu of taxes	-	41	-	-
Contributions and donations	-	-	-	-
Total Other revenue	251	41	-	-
TOTAL REVENUE	57,028	24,362	191	-
EXPENDITURES				
Current				
Public Safety	-	11,129	-	-
Public works	49,756	-	-	-
Debt Service	-	-	-	15,458
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	49,756	11,129	-	15,458
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,272	13,233	191	(15,458)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	5,000	15,454
Bond or note issuance	-	-	18,900	-
Prior period adjustment	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	23,900	15,454
NET CHANGE IN FUND BALANCES	7,272	13,233	24,091	(4)
FUND BALANCES, BEGINNING OF YEAR	68,543	48,404	11,186	106
FUND BALANCES, END OF YEAR	\$ 75,815	\$ 61,637	\$ 35,277	\$ 102

Debt Service Funds		Capital Projects Fund		
1999 Michigan Transportation	2001 Michigan Transportation	Bandshell Construction	Industrial Complex Construction	Total
\$ -	\$ -	\$ -	\$ -	\$ 23,552
-	-	-	-	114
-	-	-	-	23,666
-	-	-	-	56,137
-	-	320	-	1,806
-	-	-	-	251
-	-	-	-	41
-	-	28,450	-	28,450
-	-	28,450	-	28,742
-	-	28,770	-	110,351
-	-	-	-	11,129
-	-	-	-	49,756
34,335	20,273	-	-	70,066
-	-	3,156	10	3,166
34,335	20,273	3,156	10	134,117
(34,335)	(20,273)	25,614	(10)	(23,766)
34,337	20,274	-	7,500	82,565
-	-	-	-	18,900
-	-	-	(7,630)	(7,630)
34,337	20,274	-	(130)	93,835
2	1	25,614	(140)	70,069
102	90	30,543	314	159,288
\$ 104	\$ 91	\$ 56,157	\$ 174	\$ 229,357

LONG-TERM DEBT

City of East Jordan

City of East Jordan

Schedule of Debt

\$43,000 Installment Purchase Agreement for DPW Building

June 30, 2004

Year End	Interest Rate	Principal	Interest	Total
2005	4.4000 %	\$ 15,000	\$ 660	\$ 15,660
Totals		\$ 15,000	\$ 660	\$ 15,660

City of East Jordan

City of East Jordan

Schedule of Debt

\$70,117 Installment Purchase Agreement for Tennant Sweeper

June 30, 2004

Year End	Principal	Interest	Total
2005	\$ 18,617	\$ 1,041	\$ 19,658
Totals	\$ 18,617	\$ 1,041	\$ 19,658

City of East Jordan

City of East Jordan

Schedule of Debt

\$37,680 Installment Purchase Agreement for Salt Dome

June 30, 2004

Year End	Interest Rate	Principal	Interest	Total
2005	5.5900 %	\$ 9,930	\$ 555	\$ 10,485
Totals		\$ 9,930	\$ 555	\$ 10,485

City of East Jordan

City of East Jordan

Schedule of Debt

\$335,997 Fire Truck Lease

June 30, 2004

Year End	Principal	Interest	Total
2005	\$ 57,432	\$ 3,697	\$ 61,129
Totals	\$ 57,432	\$ 3,697	\$ 61,129

City of East Jordan

City of East Jordan

Schedule of Bonded Debt

\$345,000 1999 Michigan Transportation Bonds

June 30, 2004

Year End	Interest rate	Principal		Interest		Total
		June 1	December 1	June 1	June 1	
2005	4.900%	\$ 20,000	\$ 6,540	\$ 6,540	\$	33,080
2006	4.900%	20,000	6,050	6,050		32,100
2007	5.000%	25,000	5,560	5,560		36,120
2008	5.000%	25,000	4,935	4,935		34,870
2009	5.050%	25,000	4,310	4,310		33,620
2010	5.150%	25,000	3,678	3,679		32,357
2011	5.200%	25,000	3,035	3,035		31,070
2012	5.250%	30,000	2,385	2,385		34,770
2013	5.300%	30,000	1,598	1,597		33,195
2014	5.350%	30,000	802	803		31,605
Totals		\$ 255,000	\$ 38,893	\$ 38,894	\$	332,787

City of East Jordan

City of East Jordan

Schedule of Bonded Debt

\$125,000 2002 General Obligation Capital Improvement Bonds (Limited Tax)

June 30, 2004

Year End	Interest rate	Principal		Interest		Total
		June 1	December 1	June 1	June 1	
2005	4.900%	\$ 10,000	\$ 2,414	\$ 2,414	\$	14,828
2006	4.900%	10,000	2,224	2,224		14,448
2007	5.000%	10,000	2,034	2,034		14,068
2008	5.000%	10,000	1,844	1,844		13,688
2009	5.050%	10,000	1,649	1,649		13,298
2010	5.150%	10,000	1,448	1,448		12,896
2011	5.200%	10,000	1,238	1,238		12,476
2012	5.250%	15,000	1,024	1,024		17,048
2013	5.300%	15,000	694	694		16,388
2014	5.350%	15,000	352	352		15,704
Totals		\$ 115,000	\$ 14,921	\$ 14,921	\$	144,842

City of East Jordan

City of East Jordan

Schedule of Debt

\$128,530 Installment Purchase Agreement for Sewer Vacuum

June 30, 2004

Year End	Interest Rate	Principal	Interest	Total
2005	5.5300 %	\$ 24,000	\$ 5,807	\$ 29,807
2006	5.5300 %	26,000	4,479	30,479
2007	5.5300 %	27,000	3,042	30,042
2008	5.5300 %	28,000	1,548	29,548
Totals		\$ 105,000	\$ 14,876	\$ 119,876

City of East Jordan

City of East Jordan

Schedule of Bonded Debt

\$245,000 2001 Michigan Transportation Bonds

June 30, 2004

Year End	Interest rate	Principal		Interest		Total
		June 1	December 1	June 1	June 1	
2005	3.400%	\$ 15,000	\$ 4,844	\$ 4,844	\$	24,688
2006	3.550%	15,000	4,589	4,589		24,178
2007	3.800%	15,000	4,322	4,322		23,644
2008	3.900%	15,000	4,038	4,038		23,076
2009	4.050%	15,000	3,745	3,745		22,490
2010	4.150%	20,000	3,441	3,441		26,882
2011	4.200%	20,000	3,026	3,026		26,052
2012	4.250%	20,000	2,606	2,606		25,212
2013	4.550%	20,000	2,181	2,181		24,362
2014	4.700%	20,000	1,726	1,726		23,452
2015	5.000%	25,000	1,256	1,256		27,512
2016	5.050%	25,000	631	631		26,262
Totals		\$ 225,000	\$ 36,405	\$ 36,405	\$	297,810

City of East Jordan

City of East Jordan

Schedule of Debt

\$1,396 Purchase Agreement for Bulletproof Vests

June 30, 2004

Year End	Interest Rate	Principal	Interest	Total
2005	3.5000 %	\$ 458	\$ 35	493
2006	3.5000 %	461	33	494
2007	3.5000 %	477	17	494
Totals		\$ 1,396	\$ 85	1,481

City of East Jordan

City of East Jordan

Schedule of Debt

\$4,059 Purchase Agreement for Pistols

June 30, 2004

Year End	Interest Rate	Principal	Interest	Total
2005	3.5000 %	\$ 1,334	\$ 101	1,435
2006	3.5000 %	1,339	95	1,434
2007	3.5000 %	1,386	49	1,435
Totals		\$ 4,059	\$ 245	4,304

City of East Jordan

City of East Jordan

Schedule of Debt

\$26,282 Installment Purchase Agreement for Hydraulic Lift

June 30, 2004

Year End	Interest Rate	Principal	Interest	Total
2005	3.5000 %	\$ 8,634	\$ 657	\$ 9,291
2006	3.5000 %	8,672	618	9,290
2007	3.5000 %	8,976	314	9,290
Totals		\$ 26,282	\$ 1,589	\$ 27,871

City of East Jordan

City of East Jordan

Schedule of Debt

\$39,650 Installment Purchase Agreement for Snow Hauling Truck

June 30, 2004

Year End	Interest Rate	Principal	Interest	Total
2005	3.5000 %	\$ 13,046	\$ 992	14,038
2006	3.5000 %	13,105	933	14,038
2007	3.5000 %	13,564	475	14,039
Totals		\$ 39,715	\$ 2,400	42,115

City of East Jordan

City of East Jordan

Schedule of Debt

\$730,000 Sewer Revenue Bonds

June 30, 2004

Year End	Interest rate	Principal	Interest	Total
2005	7.070%	\$ 70,000	\$ 8,400	\$ 78,400
2006	7.070%	70,000	4,200	74,200
Totals		\$ 140,000	\$ 12,600	\$ 152,600

City of East Jordan

City of East Jordan

Schedule of Debt

\$320,000 General Obligation Capital Improvement Bonds (Limited Tax) - Sewer Fund

June 30, 2004

Year End	Interest rate	Principal		Interest		Total
		April 1	October 1	April 1	April 1	
2005	2.000%	\$ -	\$ 4,566	\$ 4,566	\$	9,132
2006	2.000%	-	4,566	4,566		9,132
2007	2.000%	45,000	4,566	4,566		54,132
2008	2.300%	45,000	4,166	4,166		53,332
2009	2.650%	45,000	3,559	3,559		52,118
2010	2.800%	45,000	3,003	3,003		51,006
2011	3.150%	45,000	2,350	2,350		49,700
2012	3.350%	45,000	1,641	1,641		48,282
2013	3.550%	50,000	887	887		51,774
Totals		\$ 320,000	\$ 29,304	\$ 29,304	\$	378,608

City of East Jordan

City of East Jordan

Schedule of Debt

\$834,218 Michigan Drinking Water Revolving Fund Program Bonds

June 30, 2004

Year End	Interest rate	Principal		Interest		Total
		October 1	April 1	October 1	October 1	
2005	2.500%	\$ 35,000	\$ 8,678	\$ 8,240	\$	51,918
2006	2.500%	38,000	8,240	7,765		54,005
2007	2.500%	38,000	7,765	7,290		53,055
2008	2.500%	38,000	7,290	5,815		51,105
2009	2.500%	38,000	5,815	6,340		50,155
2010	2.500%	38,500	6,340	5,859		50,699
2011	2.500%	43,500	5,859	5,915		55,274
2012	2.500%	44,000	5,915	4,763		54,678
2013	2.500%	44,000	4,763	4,215		52,978
2014	2.500%	44,000	4,215	3,865		52,080
2015	2.500%	44,000	3,865	3,115		50,980
2016	2.500%	49,218	3,115	2,500		54,833
2017	2.500%	50,000	2,500	1,875		54,375
2018	2.500%	50,000	1,875	1,250		53,125
2019	2.500%	50,000	1,250	625		51,875
2020	2.500%	50,000	625	-		50,625
Totals		\$ 694,218	\$ 78,110	\$ 69,432	\$	841,760

City of East Jordan

City of East Jordan

Schedule of Debt

\$1,290,000 Michigan Drinking Water Revolving Fund Program Bonds

June 30, 2004

Year End	Interest rate	Principal		Interest		Total
		April 1	October 1	April 1	April 1	
2005	2.500%	\$ 55,000	\$ 13,500	\$ 13,500	\$	82,000
2006	2.500%	55,000	12,813	12,813		80,626
2007	2.500%	60,000	12,125	12,125		84,250
2008	2.500%	60,000	11,375	11,375		82,750
2009	2.500%	60,000	10,625	10,625		81,250
2010	2.500%	65,000	9,875	9,875		84,750
2011	2.500%	65,000	9,063	9,063		83,126
2012	2.500%	65,000	8,250	8,250		81,500
2013	2.500%	70,000	7,438	7,438		84,876
2014	2.500%	70,000	6,563	6,563		83,126
2015	2.500%	70,000	5,688	5,688		81,376
2016	2.500%	75,000	4,813	4,813		84,626
2017	2.500%	75,000	3,875	3,875		82,750
2018	2.500%	75,000	2,938	2,938		80,876
2019	2.500%	80,000	2,000	2,000		84,000
2020	2.500%	80,000	1,000	1,000		82,000
Totals		\$ 1,080,000	\$ 121,941	\$ 121,941	\$	1,323,882

City of East Jordan

City of East Jordan

Schedule of Debt

\$92,640 Installment Purchase Agreement for Ambulance

June 30, 2004

Year End	Interest rate	Principal	Interest	Total
2005	4.500%	\$ 23,000	\$ 2,115	\$ 25,115
2006	4.500%	24,000	1,080	25,080
Totals		\$ 47,000	\$ 3,195	\$ 50,195

City of East Jordan

City of East Jordan

Schedule of Debt

\$77,640 Installment Purchase Agreement for Ambulance

June 30, 2004

Year End	Interest rate	Principal	Interest	Total
2005	3.900%	\$ 19,012	\$ 2,352	\$ 21,364
2006	3.900%	19,769	1,594	21,363
2007	3.900%	20,550	813	21,363
Totals		\$ 59,331	\$ 4,759	\$ 64,090

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Commission
City Of East Jordan
Charlevoix County, Michigan

We have audited the general purpose financial statements of the City Of East Jordan, Charlevoix County, Michigan for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated September 21, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City Of East Jordan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

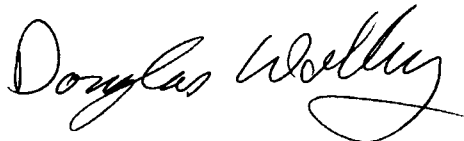
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City Of East Jordan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City Of East Jordan are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2004. We noted no transactions entered into by the City Of East Jordan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the City Commission and management of the City Of East Jordan and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg CPA
Byron Center, Michigan
December 17, 2004

MANAGEMENT COMMENTS LETTER

To the Commission
City Of East Jordan
Charlevoix County, Michigan

In planning and performing our audit of the financial statements of the City Of East Jordan for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

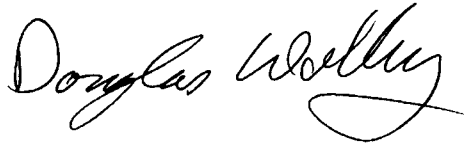
Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City Of East Jordan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Commission, management, and others within the administration or the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the June 30, 2004 financial statements, and this report does not affect our report on those financial statements dated December 17, 2004. We have not considered the internal control since the date of our report.



Douglas Wohlberg CPA
Byron Center, Michigan
December 17, 2004

Certified Public Accountant

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Commission
City Of East Jordan
Charlevoix County, Michigan

We have audited the general purpose financial statements of the City Of East Jordan, Charlevoix County, Michigan as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

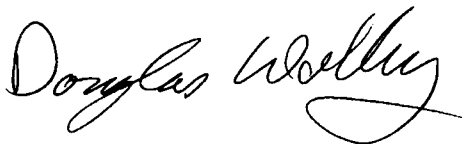
Compliance

As part of obtaining reasonable assurance about whether the City Of East Jordan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City Of East Jordan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg CPA
Byron Center, Michigan
December 17, 2004